

Public Disclosure Authorized

CONFORMED COPY

GEF GRANT NUMBER TF099076

Global Environment Facility Grant Agreement

(Guangdong Green Freight Demonstration Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
acting as an Implementing Agency of the Global Environment Facility

Dated June 1, 2011

GEF GRANT NUMBER TF099076

**GLOBAL ENVIRONMENT FACILITY
GRANT AGREEMENT**

AGREEMENT dated June 1, 2011, entered into between PEOPLE'S REPUBLIC OF CHINA ("Recipient"), and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as an implementing agency of the Global Environment Facility ("GEF").

The Recipient and the World Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010 ("Standard Conditions"), constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in Section I of the Appendix to this Agreement.

**Article II
The Project**

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article II of the Standard Conditions and the agreement dated the same date as this Agreement between the World Bank and the Project Implementing Entity, as such agreement may be amended from time to time ("Project Agreement").
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**Article III
The Grant**

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to four million two hundred thousand United States Dollars (\$4,200,000) (“Grant”) to assist in financing the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 3.03. The Grant is funded out of the abovementioned GEF for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

**Article IV
Additional Remedies**

- 4.01. The Additional Events of Suspension referred to in Section 4.02(k) of the Standard Conditions consist of the following:
 - (a) The Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by the Project Implementing Entity of its obligations under the Project Agreement.
 - (b) The Project Implementing Entity has failed to perform any obligation under the Project Agreement.
 - (c) The World Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by it, or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the World Bank (including as administrator of funds provided by another financier), as a result of: (i) a determination by the World Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the World Bank; and/or (ii) a declaration by another financier that the Project Implementing Entity is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in

connection with the use of the proceeds of a financing made by such financier.

- (d) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the Project Implementing Entity will be able to perform its obligations under the Project Agreement.
- (e) The World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

Article V Effectiveness; Termination

- 5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the condition specified below has been satisfied, namely that the execution and delivery of this Agreement on behalf of the Recipient and the Project Agreement on behalf of the Project Implementing Entity have been duly authorized or ratified by all necessary governmental action.
- 5.02. As part of the evidence to be furnished pursuant to Section 5.01, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient showing the following matters:
 - (a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; and
 - (b) on behalf of the Project Implementing Entity, that the Project Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.
- 5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the

World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

- 5.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient's Representative; Addresses

- 6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Recipient's Minister of Finance.
- 6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
Sanlihe
Beijing 100820
People's Republic of China

Facsimile:

(86-10) 6855-1125

- 6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423 (MCI) or
64145 (MCI)

1-202-477-6391

AGREED at Beijing, People's Republic of China, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zheng Xiaosong
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
acting as an Implementing Agency of the
Global Environment Facility

By /s/ Klaus Rohland
Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to: (a) demonstrate the global and local environmental benefits of the application of energy efficiency vehicle technologies and operating techniques; and (b) support improving energy efficiency and reducing greenhouse gas emissions in the road freight transport sector in Guangdong.

The Project consists of the following parts:

PartA: Green Truck Technology Demonstration

Facilitating communication and cooperation among energy efficient vehicle technology suppliers, freight carriers, freight shippers, and other key stakeholders, and enabling Project participants access to government and commercial financing, including the provision of financing of Green Freight Technology Rebates and Performance-based Payments.

Part B: Green Freight Logistics Demonstration

Carrying out of market studies for drop and hook logistics methods and a proposed provincial logistics brokerage platform, and assisting in demonstration exercises of such methods and platform, through the provision of financing of Green Freight Technology Rebates and Performance-based Payments.

Part C: Capacity Building

Provision of technical advisory services for the preparation of green freight policy research papers, delivery of training for government officials and enterprise managers, and promotion of the Project and green freight development, including support to the Guangdong green freight websites.

Part D: Project Implementation Support

Provision of technical advisory services for Project implementation, stakeholder consultations, Project results evaluation and dissemination, as well as Project management.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Financing Arrangements

To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant available to the Project Implementing Entity on a grant basis.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate, and shall cause the Project Implementing Entity to monitor and evaluate, the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth in the Annex to the Schedule to the Project Agreement. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank by March 31 and September 30 each year, starting March 31, 2012.
2. The Recipient shall cause the Project Implementing Entity to prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than three (3) months after the end of each calendar semester, covering the calendar semester, in form and substance satisfactory to the World Bank.
3. The Recipient shall cause the Project Implementing Entity to have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit of the Financial

Statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods.** All goods required for demonstration activities under Parts A and B of the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Method of Procurement of Goods

Goods shall be procured under contracts awarded following commercial practices acceptable to the World Bank.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services in the circumstances specified in the Procurement Plan for each such method: (a) Quality-based Selection; (b) Selection based on the Consultants' Qualifications; (c) Single-Source Selection; (d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultants' Guidelines for the Selection of Individual Consultants; and (e) Sole Source Procedures set forth in paragraph 5.4 of the Consultants' Guidelines for the Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Consultants' services, Training, Communications and Incremental Operating Costs	1,280,000	100%
(2) Green Freight Technology Rebates and Performance-based Payments under Part A of the Project	2,080,000	100% of the amounts paid as per the respective Participation Agreement
(3) Green Freight Technology Rebates and Performance-based Payments under Part B of the Project	780,000	100% of the amounts paid as per the respective Participation Agreement
(4) Unallocated	60,000	
TOTAL AMOUNT	4,200,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for:
 - (a) payments made prior to the date of this Agreement; except that withdrawals up to an aggregate amount not to exceed \$800,000 respectively may be made for payments made within twelve (12) month prior to this date for Eligible Expenditures for Categories (1) and (2); and
 - (b) payments made against Category (2) for Green Freight Technology Rebates and Performance-based Payments under Part A of the Project, unless:
 - (i) the respective Participation Agreement has been entered into between the parties thereto in form and substance satisfactory to the World Bank; and
 - (ii) the Participating Company has met the requirements for the financing of Green Freight Technology Rebates and/or Performance-based Payments.
 - (c) payments made against Category (3) for Green Freight Technology Rebates and Performance-based Payments under Part B of the Project, unless:
 - (i) the World Bank shall have approved the eligibility criteria and other fiduciary, technical and safeguard requirements for the financing of Green Freight Technology Rebates and Performance-based Payments under Part B of the Project;
 - (ii) the respective Participation Agreement has been entered into between the parties thereto in form and substance satisfactory to the World Bank; and
 - (iii) the Participating Company has fulfilled the criteria and met the requirements for the financing of Green Freight Technology Rebates and/or Performance-based Payments referred to in (c)(i) of this Section.
2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is March 15, 2015.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, with the modifications set forth in Section II of the Appendix to this Agreement.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Communications” means for purposes of Section IV of Schedule 2 to this Agreement, the reasonable costs related to public consultation, dissemination, knowledge sharing, Project promotion, and Project evaluation.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010.
5. “EMM” means the Environmental Management Manual dated October 10, 2010, prepared by the PMO (as hereinafter defined), and approved by the World Bank, which sets out guidance for managing environmental issues in the construction and operation phase of the Project, including the preventive, mitigation and monitoring measures, and training to either minimize the impacts to acceptable level or eliminate the negative impacts, as said EMM may be revised from time to time with the prior written agreement of the World Bank.
6. “Financial Management Manual” means the manual dated February 9, 2011 and referred to in Section IV, paragraphs 2 and 3 of the Schedule to the Project Agreement, as said Financial Management Manual may be revised from time to time with the prior written agreement of the World Bank.
7. “Green Freight Technology” means technologies and practices which improve the energy efficiency of road freight transport, as verified by the US EPA SmartWay Program, or similar national energy efficient trucking technology accreditation systems.
8. “Green Freight Technology Rebate” means the payment to be made to the Participating Company to assist it in purchasing and operating the Green Freight Technology proposed by the Project Implementing Entity and acceptable to the World Bank.
9. “Incremental Operating Costs” means the reasonable expenditures directly related to the Project incurred by the PMO, on accounting of Project

implementation, management, coordination, and monitoring and evaluation, in respect of travel costs, vehicle and equipment leasing, rent, maintenance and repair, office rent and supplies, communications costs, logistics and translation services, production and reproduction of documents required for Project implementation, including training materials, but excluding the salaries and salary supplements of the Recipient's civil servants.

10. "Participation Agreement" means any agreement or memorandum of understanding entered into or made pursuant to Section I, paragraph C.1 of the Schedule to the Project Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to said Participation Agreement.
11. "Participating Company" means any company meeting the participating criteria defined by the PMO, acceptable to the World Bank, and involved in the carrying out of the demonstration activities under Parts A and B of the Project.
12. "Participating Vehicle" means any of the vehicles owned by a Participating Company and involved in the demonstration activities under Parts A and B of the Project.
13. "Performance-based Payments" means the payment to be made to the Participating Company after verifiable energy efficiency improvements have been achieved by its Participating Vehicle, and have been verified by the Project Implementing Entity.
14. "Procurement Guidelines" means the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the World Bank in May 2004 and revised in October 2006 and May 2010.
15. "Procurement Plan" means the Recipient's procurement plan for the Project, dated February 18, 2011, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
16. "Project Agreement" means the agreement between the International Bank for Reconstruction and Development, acting as an Implementing Agency of the Global Environment Facility and Guangdong Province, of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement.
17. "Project Implementing Entity" means the Recipient's Guangdong Province.
18. "Project Management Office" or "PMO" means the project management office referred to in Section I, paragraph A of the Schedule to the Project Agreement.

19. “Training” means for purposes of Section IV of Schedule 2 to this Agreement, the reasonable cost of travel, lodging and per diem for trainees attending training, workshops and seminars and the cost of delivering training (excluding consultant fees) such as rental of training space and training equipment and other logistical costs.

Section II. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“...(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”